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U. S. AGENCY OFFERED AID ON PHONE PRIVACY

Pentagon's Intelligence Arm Told Companies It Would Help Them Thwart Eavesdropping

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Special to The New York Times

WASHINGTON, Dec. 26—A highly secret intelligence arm of the Pentagon has offered to help several private communications companies improve their defenses against unauthorized eavesdropping.

The activities of the National Security Agency were disclosed by V. Orville Wright, president of the MCI Communications Corporation, and then confirmed by executives in other communication companies who asked not to be identified.

Assuring communications privacy in the United States could have significant economic consequences. Many kinds of businesses, ranging from the New York Stock Exchange to high technology concerns such as the International Business Machines Corporation, must be able to protect individual transactions and the design of the latest computer.

Could Aid Phone Concerns

Technological changes to assure total security for all telephone conversations could cost billions of dollars and might benefit those corporations, such as the American Telephone and Telegraph Company, that have thousands of miles of underground cables in place.

William J. Thaler, the acting head of the White House Office of Telecommunications Policy, said in response to an inquiry that he had no knowledge of the reported effort by the security agency to develop formal links with the companies.

Mr. Thaler and his office recently played a central role in the final development of the Carter Administration policy concerning telephone privacy in the United States and the steps that should be taken to make it more difficult fo rthe Soviet Union, other nations or businesses to eavesdrop on telephone calls here.

Another White House official, who requested anonymity, said the agency's action was surprising and appeared to go beyond its normal range of concerns.

For Security and Eavesdropping

Spokesman for both the N..SA. and the Defense Department declined to comment on the activities of the intelligence agency, which was established to assure the security of United States Government communications and eavesdrop on the electronic conversations of other nations.

A staff member of the National Security Council said the "allegations" concerning the security agency were being investigated. He said that a report on them would be prepared for Dr. Frank Press, Mr. Carter's science adviser who is chairman of an interagency committee established last month to monitor all government programs aimed at improving communication security measures.

Official concern about the lack o fsecurity for telephone calls and other kinds of information transmitted across the country by microwave radio towers or satellites goes back several years to the time when the National Security Council under President Ford created a panel headed by Dr. Edward David, now president of the Exxon Research and Engineering Corporation, to study the matter.

Apparently because of the far-reaching implications of the problem, Mr. Ford decided not to adopt a new communications policy in hi slast day in the White House, but to leave the matter to Mr. Carter.

Interception Acknowledged

Top officials of the Carter Administration were also concerned. On Nov. 14, for example, Adm. Stansfield Turner, the Director of Central Intelligence, said at a little noted news conference in Chicago, "We know that the Soviets in this country are intercepting our commercial microwave transmissions."

Admiral Turner added that if calls were being transmitted "on a microwave link, hijackers, gangsters, foreign intelligence operators, industrial spies and all work to get that information." A substantial share of all electronic communications moves by microwave radio.

During the same week when Admiral Turner made his public statement on this threat to privacy, President Carter signed a secret policy directive establishing a broad government program aimed at making it more difficult to eavesdrop. Although the directive itself was not made public, some parts of it were described in a background briefing by two officials who asked that they not be identified.

Under this program, the two officials said, Federal research on how to improve security is being increased, nearly all government telephone messages in Washington, New York and San Francisco are in the process of being routed through underground cables rather than the less secure microwave towers, and private industry is being encouraged to use more secure kinds of telephone equipment.

Computers Extract Messages

Large numbers of microwave communication signals can be picked up by listening devics placed at a considerable distance from the microwave towers that now transmit much of the communications traffic in the United States. Then, with the help of high speed computers, the desired messages can be extracted from the mass of signals that are not wanted.

The reported effort of employees of the National Security Agency to work out arrangements with the private communications companies therefore has significant economic, as well as national security, implications.

Mr. Wright, the MCI president, said in an interview that officials of the agency came to the Washington office of his company on two occasions, on Aug. 12 and Sept. 8. Mr. Wright said they asked him to enter into a "classified contract" under which the Government agency would assist the private company to improve its defenses against eavesdropping.

The executive said that the three officials, Charles J. Zeman, John Nagenast and Ronald Nervitt, requested and were given a great deal of proprietary information about the internal workings of MCI. The Washington-based company is mostly in the business of providing microwave communication links to large private companies with offices in various parts of the country.

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